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State/Territory Name: Texas

State Plan Amendment (SPA) #: 13-41

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Superseding Page Listing
- 4) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Dallas Regional Office
1301 Young Street, Suite 833
Dallas, Texas 75202



DIVISION OF MEDICAID & CHILDREN'S HEALTH - REGION VI

May 27, 2014

Our Reference: SPA TX 13-041

Ms. Kay Ghahremani
State Medicaid/CHIP Director
Health and Human Services Commission
Post Office Box 13247
Mail Code H100
Austin, Texas 78711

Dear Ms. Ghahremani:

We have reviewed the State's proposed amendment to the Texas State Plan submitted under Transmittal Number 13-41, dated September 30, 2013. This state plan amendment implements various changes to the outpatient hospital services reimbursement methodology including:

- Reducing outpatient allowable charges by 5.3 percent. The reduction to allowable charges does not apply to children's hospitals, rural hospitals or state-owned hospitals.
- Phasing in the reduction to outpatient allowable charges for hospitals in Rockwall County over a two-year period. This transition period is intended to mitigate the impact to those hospitals in Rockwall County due to its change in designation from "rural" to "urban" following the 2010 census.
- Freezing outpatient interim rates after the implementation of the reduction with exceptions for new hospitals and for adjustments that would result in lower costs to the state.
- Reducing outpatient hospital imaging rates that are above 125 percent of Medicaid acute care imaging rates to 125 percent of Medicaid acute care imaging rates.
- Basing non-urgent emergency department payments on a percentage of the Medicaid acute care physician office visit amount for adults. Rural hospitals will continue to have these non-urgent visits reimbursed based on 60 percent of the percentage of allowable charges for urgent visits to ensure access to these services in rural areas of the State. Hospitals in Rockwall County will be transitioned to the physician office visit fee after the 2014-2015 State biennium.

Based on the information submitted, we have approved the amendment for incorporation into the official Texas State Plan with an effective date change of September 1, 2013. A copy of the CMS-179 and approved plan pages are enclosed with this letter.

If you have questions, please contact Cheryl Rupley at (214) 767-6278.

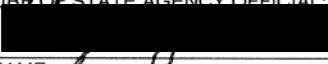

Sincerely,

A black rectangular redaction box covering the signature of Bill Brooks.

Bill Brooks
Associate Regional Administrator

cc: Becky Brownlee, Policy Development Support

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TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES		1. TRANSMITTAL NUMBER: 13-041	2. STATE: TEXAS
		3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES		4. PROPOSED EFFECTIVE DATE: September 1, 2013	
5. TYPE OF PLAN MATERIAL (Circle One): <input type="checkbox"/> NEW STATE PLAN <input type="checkbox"/> AMENDMENT TO BE CONSIDERED AS NEW PLAN <input checked="" type="checkbox"/> AMENDMENT			
COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)			
6. FEDERAL STATUTE/REGULATION CITATION: 42 CFR §440.20		7. FEDERAL BUDGET IMPACT: SEE ATTACHMENT a. FFY 2013 \$ (7,653,453) b. FFY 2014 \$ (95,902,816) c. FFY 2015 \$ (103,599,260)	
8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: SEE ATTACHMENT TO BLOCKS 8 & 9		9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): SEE ATTACHMENT TO BLOCKS 8 & 9	
10. SUBJECT OF AMENDMENT: This amendment implements various changes to the outpatient hospital services reimbursement methodology.			
11. GOVERNOR'S REVIEW (Check One): <input type="checkbox"/> GOVERNOR'S OFFICE REPORTED NO COMMENT <input checked="" type="checkbox"/> OTHER, AS SPECIFIED: Sent to Governor's Office this date. Comments, if any, will be forwarded upon receipt. <input type="checkbox"/> COMMENTS OF GOVERNOR'S OFFICE ENCLOSED <input type="checkbox"/> NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL			
12. SIGNATURE OF STATE AGENCY OFFICIAL: 		16. RETURN TO: Kay Ghahremani State Medicaid Director Post Office Box 13247; MC H-100 Austin, Texas 78711	
13. TYPED NAME: Kay Ghahremani			
14. TITLE: State Medicaid Director			
15. DATE SUBMITTED: September 30, 2013			
FOR REGIONAL OFFICE USE ONLY			
17. DATE RECEIVED: 30 September, 2013		18. DATE APPROVED: 27 May, 2014	
PLAN APPROVED – ONE COPY ATTACHED			
19. EFFECTIVE DATE OF APPROVED MATERIAL: 1 September, 2013		20. SIGN:  IAL:	
21. TYPED NAME: Bill Brooks		22. TITLE: Associate Regional Administrator Division of Medicaid & Children's Health	
23. REMARKS:			

Attachment to Blocks 8 & 9 to CMS Form 179

Transmittal Number 13-041

**Number of the
Plan Section or Attachment**

Attachment 4.19-B

Page 2

Page 2a

Page 2a.1

Page 2a.2

**Number of the Superseded
Plan Section or Attachment**

Attachment 4.19-B

Page 2 (TN 11-031)

(New Page)

(New Page)

(New Page)

State: Texas

Date Received: 30 September, 2013

Date Approved: 27 May, 2014

Date Effective: 1 September, 2013

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State of Texas
Attachment 4.19-B
Page 2

4. Outpatient Hospital Services

- (a) Introduction. The Health and Human Services Commission (HHSC) or its designee reimburses outpatient hospital services under the reimbursement methodology described in this section. Except as described in subsections (c) and (d) of this section, HHSC will reimburse for outpatient hospital services based on a percentage of allowable charges and an outpatient interim rate.
- (b) Interim reimbursement.
- (1) HHSC will determine a percentage of allowable charges, which are charges for covered Medicaid services determined through claims adjudication.
- (A) For high volume providers that received Medicaid outpatient payments equaling at least \$200,000 during calendar year 2004.
- (i) For children's hospitals, state-owned hospitals, and rural hospitals, the percentage of allowable charges is 76.03 percent effective for service dates on or after September 1, 2014.
- (ii) For providers in Rockwall County.
- (I) For state fiscal year 2014, service dates between September 1, 2013 and August 31, 2014, the percentage of allowable charges is 74.69 percent.
- (II) For state fiscal year 2015, service dates between September 1, 2014 and August 31, 2015, the percentage of allowable charges is 73.34 percent.
- (III) For state fiscal year 2016, service dates on or after September 1, 2015, the percentage of allowable charges is 72.00 percent.
- (iii) For all other providers, the percentage of allowable charges is 72.00 percent effective for service dates on or after September 1, 2013.
- (B) For all providers not considered high volume providers as determined in paragraph (1)(A) of this subsection.
- (i) For children's hospitals, state-owned hospitals, and rural hospitals, the percentage of allowable charges is 72.27 percent for service dates on or after September 1, 2013.

TN: 13-41

Approval Date: 5/27/14

Effective Date: 9/1/13

Supersedes TN: 11-031

Outpatient Hospital Services (continued)

(ii) For providers in Rockwall County.

(I) For state fiscal year 2014, service dates between September 1, 2013 and August 31, 2014, the percentage of allowable charges is 70.99 percent.

(II) For state fiscal year 2015, service dates between September 1, 2014, and August 31, 2015, the percentage of allowable charges is 69.72 percent.

(III) For state fiscal year 2016, service dates on or after September 1, 2015 and thereafter, the percentage of allowable charges is 68.44 percent.

(iii) For all other providers, the percentage of allowable charges is 68.44 percent for service dates on or after September 1, 2013.

(C) For outpatient emergency department (ED) services that do not qualify as emergency visits, which are listed in the Texas Medicaid Provider Procedures Manual and other updates on the claims administrator's website, effective September 1, 2013, HHSC will reimburse:

(i) rural hospitals 60 percent of the amount determined in subparagraph (A) or (B) of this paragraph;

(ii) hospitals in Rockwall County:

(I) for state fiscal year 2014 and 2015, September 1, 2013 through August 31, 2015, 60 percent of the amount determined in subparagraphs (A) or (B) of this paragraph;

(II) for state fiscal year 2016, September 1, 2015, and thereafter, a flat fee set at a percentage of the Medicaid acute care physician office visit amount for adults; and

(iii) all other hospitals, a flat fee set at a percentage of the Medicaid acute care physician office visit amount for adults for service dates on or after September 1, 2013.

(2) HHSC will determine an outpatient interim rate for each hospital, which is the ratio of Medicaid allowable outpatient costs to Medicaid allowable outpatient charges derived from the hospital's Medicaid cost report.

Outpatient Hospital Services (continued)

- (A) For a hospital with at least one tentative cost report settlement completed prior to September 1, 2013, the interim rate is the rate in effect on August 31, 2013, except the hospital will be assigned the interim rate calculated upon completion of any future cost report settlement if that interim rate is lower.
- (B) For a new hospital that does not have at least one tentative cost report settlement completed prior to September 1, 2013, the hospital will be reimbursed at a payment rate that is 50 percent of allowable charges until the payment rate is adjusted as follows:
- (i) If the hospital files a short-period cost report for its first cost report, the hospital will be assigned the interim rate calculated upon completion of the hospital's first tentative cost report settlement.
 - (ii) The hospital will be assigned the interim rate calculated upon completion of the hospital's first full-year tentative cost report settlement.
 - (iii) The hospital will retain the interim rate calculated as described in clause (ii) of this subparagraph, except it will be assigned the interim rate calculated upon completion of any future cost report settlement if that interim rate is lower.
- (C) Interim claim reimbursement is determined by multiplying the amount of a hospital's outpatient allowable charges after applying any reductions to allowable charges made under paragraph (1) of this subsection by the outpatient interim rate in effect on the date of service.
- (D) Cost settlement. Interim claim reimbursement determined in subparagraph (C) of this paragraph will be cost-settled at both tentative and final audit of a hospital's cost report. The calculation of allowable costs will be determined based on the amount of allowable charges after applying any reductions to allowable charges made under paragraph (1) of this subsection.
- (i) Interim payments for claims with a date of service prior to September 1, 2013, will be cost settled.
 - (ii) Interim payments for claims with a date of service on or after September 1, 2013, will be included in the cost report interim rate calculation, but will not be adjusted due to cost settlement unless the settlement calculation indicates an overpayment.
 - (iii) HHSC will calculate an interim rate at tentative and final cost settlement for the purposes described in subparagraph (B) of this paragraph.

Outpatient Hospital Services (continued)

- (i) If a hospital's interim claim reimbursement for all outpatient services, excluding imaging, clinical lab and outpatient emergency department services that do not qualify as emergency visits, for the hospital's fiscal year exceeded the allowable costs for those services, HHSC will recoup the amount paid to the hospital in excess of allowable costs.
- (ii) If a hospital's interim claim reimbursement for all outpatient services, excluding imaging, clinical lab and outpatient emergency department services that do not qualify as emergency visits, for the hospital's fiscal year was less than the allowable costs for those services, HHSC will not make additional payments through cost settlement to the hospital for service dates on or after September 1, 2013.

- (b) Outpatient hospital surgery. Outpatient hospital non-emergency surgery is reimbursed in accordance with the methodology for ambulatory surgical centers as described in Attachment 4.19-B, page 7(f), relating to the reimbursement methodology for Ambulatory Surgical Centers.
- (c) Outpatient hospital imaging. Outpatient hospital imaging services are not reimbursed under the outpatient reimbursement methodology described in subsection (b) of this section. Outpatient hospital imaging services are reimbursed according to an outpatient hospital imaging service fee schedule that is based on a percentage of the Medicare fee schedule for similar services. Effective for service dates September 1, 2013 and after, if a resulting fee for a service provided to any Medicaid beneficiary is greater than 125 percent of the Medicaid adult acute care fee for a similar service, the fee is reduced to 125 percent of the Medicaid adult acute care fee.

5. Hospital Ambulatory Surgical Centers (HASC) are reimbursed in accordance with Attachment 4.19-B, page 7(f), relating to the reimbursement methodology for Ambulatory Surgical Centers (ASCs).

6-7. Intentionally left blank.

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Supersedes TN: New Page